



CIRCULAR

F. No. IFSCA-IF-10PR/1/2023-Capital Markets

January 25, 2024

To,

**All Fund Management Entities in International Financial Services Centres (IFSCs)
All Distributors of Capital Market Products and Services in IFSCs**

Dear Sir / Madam,

Sub.: Accredited Investors in IFSC

The IFSCA (Fund Management) Regulations, 2022 provide for certain flexibility with respect to investors who are considered to be better aware of and have wherewithal to withstand the risks emergent from their investments. Such investors have been termed as “Accredited Investors” and are referred to in clause (c) of sub-regulation (1) of regulation 2 of IFSCA (Fund Management) Regulations, 2022. Further, the regulatory framework for Distributors of capital market products and services, specified vide Circular dated December 21, 2022 under IFSCA (Capital Market Intermediaries) Regulations, 2021, enables distribution of a wider bouquet of products and services to such Accredited Investors as compared to other investors.

Comments from public and the views of the Fund Management Advisory Committee (FMAC) of International Financial Services Centres Authority (IFSCA or Authority) were sought on the (a) proposed eligibility criteria for Accredited Investors in IFSC and (b) the modalities for accrediting the investors. Based on the review of comments received during the public consultation process, the recommendations of the FMAC and in exercise of the powers conferred under Sections 12 and 13 of the International Financial Services Centres Authority Act, 2019, read with clause (c) of sub-regulation (1) of regulation 2 of the IFSCA (Fund Management) Regulations, 2022, the IFSCA hereby specifies the eligibility criteria for Accredited Investors and the modalities related thereto as under:

Eligibility Criteria

1. The eligibility criteria for Accredited Investors are as follows:

a. Individuals, Sole Proprietorships, One Person Companies and any other legal form comprising of only a natural person, which meet any of the following criteria:

- i. **Income Criteria** – Annual gross income in the preceding financial year not less than USD 200,000, with a reasonable expectation of reaching similar income level in the current financial year.

Explanation – For the purpose of this Circular, “financial year” shall be considered to be the financial year as per India or the home jurisdiction of the investor.

- ii. **Net Assets Criteria** - Net assets not less than USD 1 Million, out of which at least USD 500,000 worth of net assets comprise of financial assets. The Net Assets shall be based on an individual’s financial position on a date not older than 6 months.

Explanation – In determining the value of an individual’s net assets, the value of the individual’s primary residence shall not be included. Further, for the purpose of this Circular, “financial assets” shall mean and include:

- I. investments in capital market products, as defined under Circular dated December 21, 2022 bearing F. No. 817/IFSCA/Distribution/2022-23, issued under International Financial Services Centres Authority (Capital Market Intermediaries) Regulations, 2021,
 - II. demand and time deposits with banks and financial institutions in IFSC, India or in any foreign jurisdiction, wherein the value of these deposits shall be considered to be lower of the actual value or USD 100,000, and
 - III. any other product, as may be specified by Authority.
- iii. **Joint Investments Criteria** - In case of joint investments by (i) parent(s) and their child(ren), or (ii) spouses, such investments may be considered to have been made by Accredited Investors if the following conditions are met:

- a) Where the joint investments are made by parent(s) and their child(ren) (including stepchildren, adopted children, ex nuptial children), at least one person should independently fulfill the eligibility criteria and such person should be responsible for making investment decisions.
 - b) Where the joint investments are made by spouses, their combined income/ net worth should meet the eligibility criteria.
- b. Hindu Undivided Families (HUFs) in India and similar such family structures in India and foreign jurisdictions, which are created solely for the benefit of the members of a single family, which meet the eligibility criteria specified at sub-clauses (a)(i) or a(ii) above.

Explanation – “single family” shall have the same meaning as defined under IFSCA (Fund Management) Regulations, 2022 and Circulars issued thereunder from time to time.

- c. Partnership firms, which meet any of the following criteria:
 - i. **Partner Criteria:** All the partners of the partnership firm independently meet the applicable eligibility criteria of Accredited Investors.
 - ii. **Net Worth Criteria:** Net worth not less than USD 5 Million and the partner(s) responsible for making investment decisions for the partnership firm meet the applicable eligibility criteria of Accredited Investors.
- d. Trusts, which meet any of the following criteria:
 - i. **Beneficiary Criteria** – All the beneficiaries of the trust independently meet the applicable eligibility criteria of Accredited Investors.
 - ii. **Net Worth Criteria** - Net worth not less than USD 5 Million and the person(s) responsible for making investment decisions for the trust meet the applicable eligibility criteria of Accredited Investors.
- e. Body corporates (including Limited Liability Partnerships), which meet any of the following criteria:
 - i. **Net Worth Criteria** - Net worth not less than USD 5 Million.

- ii. **Constituent Criteria** – All the constituents of the body corporate independently meet the applicable eligibility criteria of Accredited Investors.

Explanation – For the purpose of this Circular, “constituent” shall mean shareholders in case of a company, partners in case of a limited liability partnership, etc. Further, in verifying the eligibility of a body corporate under the ‘Constituent Criteria’, if either the immediate constituent (shareholder / partner) or the ultimate constituent meets the applicable eligibility criteria of Accredited Investor, such body corporate may be considered to be an Accredited Investor.

f. Following entities shall be deemed to be Accredited Investors:

- i. Government and Government related investors of India and foreign jurisdictions, such as central banks, sovereign wealth funds or agencies including entities controlled or at least 75% directly or indirectly owned by such Government and Government related investor(s).
- ii. Multilateral agency, supranational agency or any international organization of similar nature;
- iii. University funds, Pension funds and provident funds set up in IFSC, India or foreign jurisdiction;
- iv. University related endowments of such universities that have been in existence for more than five years;
- v. Venture Capital Schemes, Restricted Schemes, Retail Schemes, Exchange Traded Funds and Investment Trusts in IFSC. Any such schemes or funds in India or foreign jurisdiction which are regulated in their jurisdiction and wherein no single investor holds more than 33% beneficial interest;
- vi. Family investment funds set up in IFSC and similar regulated vehicles set up in India or foreign jurisdictions;
- vii. A body corporate, when acting on its own account or on account of its clients who are Accredited Investors, which is licensed, authorised, recognised or registered by Authority as any of the following; or an entity,

when acting on its own account or on account of its clients who are Accredited Investors, which is permitted by a financial sector regulator of India or of a foreign jurisdiction to carry out a financial activity which corresponds to the activities permitted by Authority to the following:

- a) banking unit,
- b) broker dealer,
- c) clearing corporation,
- d) clearing member,
- e) credit rating agency,
- f) custodian,
- g) debenture trustee,
- h) depository,
- i) depository participant,
- j) finance company or finance unit,
- k) fund management entity,
- l) global regional corporate treasury center,
- m) insurance offices,
- n) investment adviser,
- o) investment bank,
- p) stock exchange, and
- q) any other entity, as may be specified by Authority.

Responsibilities of Regulated Entities

2. The Regulated Entities, which intend to accept an investor as an Accredited Investor, shall ensure that:
 - a. They lay down adequate procedures and internal policy for verifying and periodically reviewing the eligibility of such investor.
 - b. They take all reasonable steps to verify that such investor meets or continues to meet the eligibility criteria as specified at clause 1 above. With respect to verification of the financial parameters, such as income, net assets / net worth, etc., they may rely upon the certificate(s) provided within the preceding 6 months period by members of The Institute of Chartered Accountants of India or professional bodies equivalent thereto in foreign jurisdictions which are identified in the notification published in the Gazette of India vide no. G.S.R. 882(E) dated November 28, 2019, as may be revised from time to time, or any other foreign jurisdiction as may be specified by the Authority from time to time.

The decision to onboard an investor as an 'Accredited Investor' shall continue to be that of the Regulated Entity.

- c. They keep and maintain the records of verification and review of such investor for the entire duration of relationship with such investor and thereafter in electronic retrieval form for a minimum period of six (6) years.
- d. They ensure complete confidentiality of investor's information and compliance with applicable laws while seeking and storing information of investors. Notwithstanding the same, the information related to investors shall be made available to IFSCA as and when desired for its regulatory purpose.
- e. For verification of eligibility of a body corporate, partnership firm and trust on the basis of the net-worth criteria, the following may be relied upon —
 - i. their most recent audited financial statement, which date shall be within the preceding 12 months; or
 - ii. where the body corporate, partnership firm or trust is not required to prepare audited financial statement, a balance sheet certified by an authorised person of such body corporate, partnership firm or trust as giving a true and fair view of its state of affairs as of the date of the balance sheet, which date shall be within the preceding 12 months;
- f. For verification of eligibility of an Individual, Sole Proprietorship or One Person Company, the value of the primary residence of such individual or proprietor of the Sole Proprietorship or member of the One Person Company shall not be taken into consideration while deriving the value of the net assets. Similarly, primary residence of Karta and the natural person, shall be excluded in case of HUF and any other legal form comprising of only a natural person, respectively. However, any indebtedness that is on account of primary residence, to the extent that it is in excess of the fair market value of the primary residence, shall be included as a liability while deriving the value of the net assets.
- g. For verification of the eligibility of investors with income or assets denominated in currencies other than USD, the conversion of these values into USD is undertaken at the rate applicable on the date of such verification.
- h. The review of the validity of accreditation of such investor is undertaken on a periodic basis or as and when the Regulated Entities have a reason to believe that there is a material change in the circumstances of the investor. In ordinary course, the periodic review may be undertaken concurrently with the review of

Customer Due Diligence as mandated under IFSCA (Anti Money Laundering, Counter-Terrorist Financing and Know Your Customer) Guidelines, 2022 as amended from time to time.

3. While the Regulated Entity onboarding an investor as an Accredited Investor shall be responsible for complying with all the requirements in this regard, it may delegate the task of verification of eligibility at the time of onboarding such investor or at the time of periodic review to any of the following entities:
 - a. Entities authorised by IFSCA to provide Administration Services in terms of paragraph 4 under Annexure-I of Circular dated February 10, 2021 on the subject 'Framework for enabling Ancillary services at International Financial Services Centres';
 - b. Fund management entities registered with IFSCA; or
 - c. Any other entity as may be specified by IFSCA.
4. The Regulated Entities intending to accept investments from an Accredited Investor shall inform such investor that the usual investor protection measures may not be made available or may be made available at a lower extent to an Accredited Investor. The Accredited investor shall confirm the same in writing to the Regulated Entity. Further, the Accredited investor shall also confirm in writing that it understands the risks, costs and benefits of investing in that specific capital market product or service and wishes to be treated as an Accredited Investor for the purpose of the same.
5. In case of joint investments being treated as having made by an Accredited Investor as per clause 1(a)(iii), the requirements as specified under clause 4 must be undertaken with respect to all the joint investors.
6. Further, a Regulated Entity shall also inform such investor and get a confirmation to this effect that the consent for being treated as an Accredited Investor is voluntary on part of the investor and may be withdrawn by such investor at any time upon intimation to the concerned Regulated Entity. In case of joint investments, the withdrawal of consent by any of the joint investors shall be tantamount to withdrawal of consent by all the joint investors.

Withdrawal of Consent

7. The Regulated Entities shall put in place a mechanism and a time-bound process for processing the withdrawal of consent of an Accredited Investor. Upon such withdrawal, transactions previously entered by that investor will not be affected by the

change in status. The Regulated Entity may continue to deal with that investor as if it were an Accredited Investor in respect of any contractual agreement entered into with that investor prior to withdrawal of consent.

For example, investments in schemes or in portfolio management services which were made when the investor was an Accredited Investor, are not expected to be redeemed or liquidated when the investor subsequently withdraws its consent from being treated as an Accredited Investor. However, additional investment, if any, intended to be made by such investor in such scheme or portfolio management service shall be required to be of such value that it brings the total invested amount at least to the minimum level as specified by Authority from time to time.

A copy of this circular is available on the website of International Financial Services Centres Authority at www.ifsca.gov.in.

Yours faithfully

Sd/-

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